

CIA # 49218

Office Memorandum • UNITED STATES GOVERNMENT

TO : Chief, National Estimates Staff, O/NE

FROM : Chief, Current Intelligence Division, O/CI

SUBJECT: NIE-32: Effects of Operations in Korea on Communist China, 1 June 1951

DATE: 5 June 1951

The estimate has been reviewed by representatives of the Eastern Section who make the following suggestions:

1. Page 6, last line - Foreign trade with the West during early 1951 did not decline sharply in comparison with 1950. Overall trade figures are not available, but trade figures for Hong Kong (China's major trading partner) show that the Colony's trade with China reached its peak in the first quarter of 1951. Trade with West Germany and other non-Soviet countries was also high in early 1951.
2. Page 7, lines 2 to 5 - The figures given here for imports and exports are exactly the reverse of OIR's estimate (see OIR 5289.17, 26 Mar 51). The fact is that not much reliance can be placed on figures which purport to show that imports were higher than exports or vice versa. A more reliable statement would simply be "when China's total trade with the non-Soviet countries amounted to about US\$900 million."
3. Page 8, Para. 6, lines 14 to 16 - It is not at all certain that USSR shipments to China have "been fully paid for by counter-shipments of agricultural and mineral products to the USSR." If the USSR is honoring the provisions of its \$300 million credit to China, then, in fact, China's imports from the USSR must be considerably in excess of its exports to that country. Unconfirmed reports that China is seeking additional credits from the USSR indicate that China is seeking an even greater import excess in its trade with the Soviets.
4. Page 9 - The factor of inferior Chinese troops now being encountered in Korea deserves mention.
5. Page 11 - Something of a hint of Sino-Soviet friction can be read into a very recent exchange of Peiping-Moscow broadcasts on the Korean conflict. A few days ago, the head of the Chinese "people's delegation" returned from Korea, and, on being interviewed in Peiping, stated that what Communist forces in Korea "needed most" is heavy equipment of various kinds. A subsequent Moscow broadcast reminded listeners that ill-trained and poorly-equipped American forces defeated the British during the Revolution because their cause was just. This possibility - of Chinese pressure upon the USSR to deliver the goods, and Soviet pressure upon Peiping to keep on without them - might be worth noting in the paper.

Review of this document by CIA has determined that

- ☒ CIA has no objection to declass
☐ It contains information of CIA
 interest that must remain

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Authority: HR 70-2

- ☐ It contains nothing of CIA interest

Date: 6 May 51

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